



Devon Energy Corporation  
20 North Broadway  
Oklahoma City, Oklahoma 73102-6200

April 1, 2005

Department of the Interior  
Minerals Management Service  
Attention: Rules Processing Team (RPT)  
381 Elden Street, MS -4024  
Herndon, Virginia 20170-4817

Email address: [rules.comments@mms.gov](mailto:rules.comments@mms.gov)

Re: Comments Regarding Increasing Base Rentals and Sliding Scale Rentals  
March 2, 2005 Federal Register Notice  
Collection of Royalties, Rentals, Bonuses, and Other Monies Due the Federal Government  
FR Doc. 05-4032 Filed 3-1-05; 8:45 AM

Dear Sir or Madam:

Devon Energy Corporation (Devon) appreciates the opportunity to comment on the publicly available information referenced in the March 2, 2005 Federal Register related to Collection of Royalties, Rentals, Bonuses, and Other Monies Due the Federal Government. Devon is an Oklahoma City-based independent energy company engaged in oil and gas exploration, production, and property acquisitions. Devon is the largest U.S.-based independent oil and gas producer and is included in the S&P 500 Index.

Devon Energy is an active exploration and production company operating in the Gulf of Mexico. With ownership interests in approximately 878 federal OCS leases, the company produced about 39.0 MMBOE in 2004. In the period 2002 through 2004, the company participated in the drilling of 103 offshore GOM wells. Devon is also a member of several state, regional, and national oil and gas industry trade associations.


Devon neither supports or opposes the proposal to increase the rental rates as mentioned in the specified Federal Register notice. - - -

- While it is acknowledged that inflation has occurred since the last time rental rates were adjusted for the OCS shelf in 1993 and for the deepwater in 1996, it is not clear how that inflation has impacted the federal government or its agencies to an extent that these specific rental rate increases are required. Devon is dismayed by any arbitrary cost increases that affect the already expensive regime of offshore oil and gas exploration and production.
- It is possible that increased rentals could lower both the number of bids and the dollar amounts of those bids in future OCS lease sales, especially for smaller independent companies that should be allowed competitive access to OCS waters.

- Increasing rental rates for deepwater leases in the latter portion of the primary term may not speed up exploration and development of such tracts for a variety of reasons, including timing of lease acquisition, and the processing of seismic data. Also, financial requirements and resources (especially for smaller companies), as well as rig availability, control the timing of exploration in deepwater areas..

Again, Devon appreciates the opportunity to provide the above comments. Should you have any questions, please call me at (713) 286-5858.

Sincerely,

  
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Mark Gress  
Gulf Division Land Manager